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Poultry and Products

Annual

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Report Highlights:

The recovery of the Indonesian economy has contributed to growing consumer purchasing power and demand for poultry products. Poultry products are popular, affordable and accepted by the consumer as a source of meat protein. With almost no competition from imported poultry products, domestic broiler production is on the rise. Trade, both import and export, remains limited. The ban on poultry part imports remains in effect. Thus, market opportunity for U.S. poultry products will continue to be marginal. Some industry sources report that the GOI is interested in reaching a resolution to this "temporary ban" which has been in effect for nearly 3 years.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK	1
Production	1
Consumption	2
Trade	2
Prices	2
Policy	3
Investment	3
Additional information	3
 SECTION II - STATISTICAL INFORMATION AND TABLES	4
Table 1. Production, Supply and Demand: Poultry, Meat, Broiler	4
Table 2 : Poultry, Meat, Broiler , Export	5
Table 3 : Poultry, Meat, Broiler Import	6
Table 4: Poultry, Meat, Broiler, Price	7
Table 5: Average Retail Prices of Beef and Poultry Meat 2002	8
(at the Jakarta Markets)	8
Table 6: Average Retail Prices of Beef and Poultry Meat 2003	8
(at the Jakarta Markets)	8
Table 7: Exchange Rate	9
Table 8: Poultry Meat Tariffs	10

SECTION I - SITUATION AND OUTLOOK

POULTRY, MEAT, BROILER

Production

Indonesia's poultry sector has fully recovered from the lows following the 1997 final crisis. Overall production in 2003 is expected to grow 16 percent or 735 million metric ton and is forecast to grow to 793 million MT (broiler only, account for around 60% of total poultry production), or 8 percent in 2004. Economic growth and an increasingly stable security situation in rural areas has provided for improvement in poultry production. The Indonesian Rupiah (IDR) strengthened nearly 12 percent against the dollar during the first six months of 2003 compared to the same period in 2002. This has been a significant factor in broiler sector due to the increasing operating costs which are based on dollar dominated imports, including feed and breeder stock. Due to dependency on imported raw materials, the domestic chicken farming industry cannot compete with other country.

Day-Old-Chick (DOC) for broiler production in 2003 are estimated at approximately 20 million head/week. In line with the expectation for growth in the sector, DOC are forecast to grow to 22 million head/week or about 1,144 million per year in 2003.

The recovery of the poultry industry has been positively linked with the growth of the feedmill industry. Based on the information from Indonesian Feedmillers Association, feed production will reach 7.3 million tons in FY 04 (excluded cattle feed, which approximately 0.6 million MT), an increase of 8 percent from the previous year (6.8 million MT in FY 2003) or around 75 percent of the 10 million MT feedmill capacity. As nearly 60 - 65 percent of the chicken production costs are for chickenfeed (imported corn, soybeans, etc). To reduce the dependency on the imported corn, the GOI is starting to encourage domestic corn industry to increase production.

Most of the poultry production is still carried out through contract or partnership with the large integrators. Poultry farmers depend on the them for DOC supply, poultry feed, and other necessary inputs. With a relatively low per capita broiler consumption, an increasing population and economic growth, prospect for further output growth remains bright. However processing and cold storage deficiencies continue to create bottlenecks in distribution and marketing.

Consumption

Chicken meat has been contributing more towards Indonesia's national meat consumption. Post estimates the broiler meat consumption in 2003 to reach 733 million MT, or 3.4 kg/capita/year. With the expectation for continued improvement in the overall economy, consumption in 2004 is forecast to continue grow to 791 million tons or 3.7 kg/capita/year (215 million population in 2003). There is a trend and preference for Indonesian consumers to consume medium birds (1.4 kg).

Development in the broiler industry has been greatly influenced, not only by the growth in the population and production, but also by the role of downstream industry, which makes broiler products more affordable for consumers. Sales of processed chicken, such as nuggets, are increasing at an average of 10 percent every year

since 2000. As part of the distribution chain for frozen food products, the expansion by the retail industry is increasing the distribution flow of nuggets. In addition, 20 percent of broiler meat production goes to franchise restaurants that serve fried chicken.

Trade

The ban on imported chicken parts implemented in September 2000 continues. As a result, poultry meat imports from the U.S. have dropped sharply. In 2000, U.S. export of chicken leg quarters totaled 11,440 MT, compared to 432 MT in 2001 and 24 MT in 2002. In contrast, Indonesian chicken meat exports to Japan are increasing in the form of boneless chicken and further processed products. In 2002, the total export value of frozen poultry parts to Japan was US \$4,827,735, an increase of 73 percent over 2001.

Prices

As in a typical seasonal trend, farm gate prices for live broilers at the Jakarta market, reportedly increased at around 11 percent from May (Rp. 7,350) to November 2002 (Rp. 8,128), which is the Holiday season and the peak period for demand. From December 2002 to February 2003 the price dropped 39 percent then continued to increase again in April 2003. This is the usual pattern of falling prices during the 3 to 4 month period after the Moslem holiday season (in 2002 the period was the first week of November to the first week of December).

DOC broiler prices increased from Rp 1,750 in May 2002 to Rp. 3,500 in October 2002. This pattern is linked to the high demand for poultry meat broilers during the peak season (November-December). During January-March 2003, the price dropped sharply and according to the post sources, the price in some places reached its lowest at Rp.300 each. Starting in April 2003 the price rebounded back to the range of Rp. 2,000 and as usual the DOC supply was low. The integrated poultry industry used their DOC production mostly to supply their partners.

Policy

Despite repeated efforts by the U.S. Embassy in Jakarta to seek a resolution to the GOI's, the ban on poultry part imports (implemented in September 2000) remains in effect. While concern over "Halal" certification was used as justification for the barrier, the GOI action should be viewed as a direct response to request for protection from domestic producers. In addition, the eligibility of the six US Islamic Center which issue Halal certificates for U.S. poultry export to Indonesia remain to have no significance.

The import of chicken legs has become a controversial issue for the GOI to revoke the ruling on the ban. This issue involved the authority of the Ministry Trade and Industry and Ministry of Agriculture. Recent press article indicates that the two Ministries plan to impose certain import tariffs on the chicken leg quarters/parts to protect the local poultry industry against cheaper imports as resolution to the current ban.

There is still a confusion on the VAT (Value Added Tax) for the strategic commodities, such as animal feed. A 10% Value Added Tax was supposed to have not been implemented but the application of the tax in the field is not yet consistent and enforcement has been lax. Corn as the larger imported component for the feedmeals

industry is also facing the issue of imposing higher import duty from 0 to 10-40 percent. However, the GOI has proposed this since last year.

Investment

In line with the improving security situation, economy, domestic consumer trends, and minimal competition from imported poultry meat products, several integrators have expanded their production investment, which includes the building of new slaughter houses, broiler farms and poultry processing plants. This investments are in anticipations of increasing consumption (GOI target) for about 8kg/capita/year of poultry meat by 2005.

Additional information

Please visit the following website to find any related information in " BahasaIndonesia":

<http://www.poultryindonesia.com>; <http://www.trobos.com>; <http://www.efeedgrain.com>

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand: Poultry, Meat, Broiler

PSD Table						
Country	Indonesia					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	2002		2003		2004	
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Inventory (Reference)	112	112	119	121	0	130
Slaughter (Reference)	808	810	857	870	0	939
Beginning Stocks	0	0	0	0	0	0
Production	565	632	650	735	0	793
Whole, Imports	0	0	0	0	0	0
Parts, Imports	1	0	1	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	0	1	0	0	0
TOTAL SUPPLY	566	632	651	735	0	793
Whole, Exports	0	0	0	0	0	0
Parts, Exports	2	2	2	2	0	2
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	2	2	2	2	0	2
Human Consumption	564	630	649	733	0	791
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	564	630	649	733	0	791
TOTAL Use	566	632	651	735	0	793
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	566	632	651	735	0	793
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Note:

Inventory: population divided by 8 (the number of slaughter cycle per year)

Slaughter: 90% of population (10% mortality)

Production: 65% of slaughter (head to weight) x average live bird weight (1.2 kg in 2001 & 2002 and 1.3 kg in 2003&04)

Table 2 : Poultry, Meat, Broiler , Export

Export Trade Matrix			
Country	Indonesia		
Commodity	Poultry, Meat, Broiler		
Time period	Jan-Dec	Units:	
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Japan	1,734	Japan	2,346
Singapore	4		
East Timor	1		
Malaysia	1		
Total for Others	1,740		2,346
Others not Listed	0		0
Grand Total	1,740		2,346

Export Trade Matrix			
Country	Indonesia		
Commodity	Poultry, Meat, Broiler		
Time period	Jan-Jan	Units:	
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0

Table 3 : Poultry, Meat, Broiler Import

Import Trade Matrix			
Country	Indonesia		
Commodity	Poultry, Meat, Broiler		
Time period	Jan-Dec	Units:	Metric Ton
Imports for:	2001		2002
U.S.	815	U.S.	28
Others		Others	
Brazil	75	Australia	256
Australia	73	China	22
		Singapore	6
Total for Others	148		284
Others not Listed	2		
Grand Total	965		312

Import Trade Matrix			
Country	Indonesia		
Commodity	Poultry, Meat, Broiler		
Time period	Jan-Jan	Units:	Metric Ton
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0

Table 4: Poultry, Meat, Broiler, Price

Prices Table			
Country	Indonesia		
Commodity	Poultry, Meat, Broiler		
Prices in	IDR	per uom	kilogram
Year	2002	2003	% Change
Jan	11,925	11,813	-0.94%
Feb	12,338	11,250	-8.82%
Mar	11,700	10,750	-8.12%
Apr	11,650	11,275	-3.22%
May	11,825	11,600	-1.90%
Jun	11,925	11,338	-4.92%
Jul	12,350	10,900	-11.74%
Aug	12,013		-100.00%
Sep	12,075		-100.00%
Oct	12,100		-100.00%
Nov	12,750		-100.00%
Dec	13,200		-100.00%
Exchange Rate	8,209	Local currency/US \$	
Date of Quote	07/09/03	MM/DD/YYYY	

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

**Table 5: Average Retail Prices of Beef and Poultry Meat 2002
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	39,475	11,925
February	38,575	12,338
March	38,000	11,700
April	37,600	11,650
May	37,350	11,825
June	36,850	11,925
July	36,925	12,350
August	36,788	12,013
September	36,375	12,075
October	36,300	12,100
November	36,800	12,750
December	40,175	13,200

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

**Table 6: Average Retail Prices of Beef and Poultry Meat 2003
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	37,075	11,813
February	36,500	11,250
March	36,350	10,750
April	36,475	11,275
May	36,700	11,338
June	36,675	10,900
July		
August		
September		
October		
November		
December		

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

Table 7: Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2,387	2,403	2,418	2,443	2,458	2,450	2,528	2,190	3,350	3,700	3,740	5,700
1998	13,513	9,377	8,740	8,211	10,767	15,160	13,850	11,700	11,314	9,142	7,755	8,100
1999	9,419	8,992	8,778	8,632	8,179	6,750	6,989	7,736	8,571	6,949	7,439	7,161
2000	7,414	7,517	7,598	7,988	8,728	8,742	9,055	8,370	8,891	9,483	9,524	9,385
2001	9,488	9,914	10,460	11,675	11,375	11,440	9,525	8,670	9,675	10,435	10,430	10,200
2002	10,383	10,222	9,779	9,441	9,823	8,741	9,171	8,938	9,057	9,233	8,976	8,940
2003	8,876	8,905	8,908	8,675	8,279	8,285	8,209					

Source: Central Statistic Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper

Table 8: Poultry Meat Tariffs

Harmonize System Code	Description of Goods (HS Number)	2003 Import Duty (%)	VAT (%)	2002 Import Duty (%)	VAT (%)
02.07	Meat and edible offal of the poultry of heading No. 01.05, fresh, chilled or frozen				
	-Of fowls of the species Gallus domesticus				
0207.11.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.12.000	Not cut in pieces, frozen	5	10	5	10
0207.13.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.14.000	Cuts and offal, frozen	5	10	5	10
	-Of Turkeys				
0207.24.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.25.000	Not cut in pieces, frozen	5	10	5	10
0207.26.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.27.000	Cuts and offal, frozen	5	10	5	10
	-Of ducks, geese or guinea fowls				
0207.32.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.33.000	Not cut in pieces, frozen	5	10	5	10
0207.34.000	Fatty livers, fresh or chilled	5	10	5	10
0207.35.000	Other, fresh or chilled	5	10	5	10
0207.36.000	Other, frozen	5	10	5	10

Source: 2003 Government of Indonesia Tariff Book

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